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DE RUEHAH #0250/01 0571207  
ZNR UUUUU ZZH  
P 261207Z FEB 10  
FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 4301  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUCNCIS/CIS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 6297  
RUEHBJ/AMEMBASSY BEIJING 3967  
RUEHKO/AMEMBASSY TOKYO 3826  
RUEHIT/AMCONSUL ISTANBUL 4541  
RHEHNSC/NSC WASHDC  
RHMCSUU/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUEHVEN/USMISSION USOSCE 4436

UNCLAS SECTION 01 OF 02 ASHGABAT 000250

SENSITIVE  
SIPDIS

DEPT FOR SCA/CEN; EEB  
COMMERCE FOR DSTARKS/EHOUSE

E.O. 12958: N/A  
TAGS: [BTIO](#) [ECON](#) [BEXP](#) [PGOV](#) [EINV](#) [TX](#)  
SUBJECT: TURKMENISTAN: A TALE OF TWO BUSINESSES: LICORICE  
AND MACHINE PARTS

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11. (SBU) SUMMARY: Turkmenabat, Turkmenistan's second largest city, continues its role as a transport hub and industrial center, despite diminished regional commerce in the post-Soviet era. A large complex that processes locally-harvested licorice root continues to prosper due to the availability of inputs and a healthy export market. A machine parts factory has faced greater challenges, having been forced to find a new product line and relying solely on the domestic market. Unlike the licorice complex, which pre-dates the Russian Revolution, the machine parts factory was a Soviet creation that lacks an obvious market in Turkmenistan's current economy. Thanks to government subsidies, however, it does not appear that even a struggling, Soviet era enterprise is threatened with closure. Given its success at maintaining its production equipment, the factory could see better days if it found the right foreign partner interested in a low-cost metal parts. END SUMMARY.

#### LOCAL LICORICE ROOT SUPPORTS AN INDUSTRY

12. (SBU) Poloff recently visited the Buyan Turkmenabat Agro-Industrial Complex, which specializes in the production of licorice extract in dry and paste forms. The licorice processing plant dates back to the Czarist era, when it was started by the U.S. firm MacAndrews and Forbes in 1906. A meeting with the director of the complex took place in the administrative building, adjacent to the processing plant. The plant was reportedly modernized in 2008 by a Chinese company, although the original 1906 press is still in use. The director of the complex declined poloff's request to tour the plant, saying that the equipment was currently undergoing maintenance prior to the start-up of the harvesting season in March. Instead, he offered to describe the process used to produce licorice extract, which is essentially a combination of steam and pressure applied to the harvested roots.

13. (SBU) Licorice root grows wild along the banks of the Amu Darya. Attempts to cultivate it have not been successful. The licorice root is harvested by the Buyan complex's own

brigades. The harvest takes place between March and October, terminating after the first frost. During the Soviet period, the Buyan plant processed licorice root from Uzbekistan, Tajikistan, Kazakhstan and Azerbaijan. Since the end of the Soviet Union, the plant only processes licorice root harvested in Turkmenistan. Buyan has 600 employees, the bulk of whom work in its harvesting brigades. The company does not obtain licorice root from individual harvesters.

14. (SBU) The Buyan complex processes and sells unprocessed licorice root, as well as paste and powder extract. The powder extract is a new, higher value-added product, following modernization of the plant by the Chinese and installation of new equipment. The equipment in the plant is Chinese, Russian and American, the still operational U.S.-built press dating back to the plant's founding more than 100 years ago. Although the plant falls under the control of the Ministry of Healthcare and Medical Industry, it does not produce higher value-added consumer products such as medicine or candy, which are the primarily end uses for licorice extract. Buyan ships licorice extract to the U.S., Japan, former USSR countries, China and Western Europe. The U.S. company Mafco Worldwide Corp. purchases about 2,000 tons of extract per annum, all of which is produced on the vintage U.S. press, according to the director. Thirty percent of the exports are licorice extract, with the remainder sent as dried root.

MACHINE PARTS: WE'LL MAKE WHATEVER YOU NEED

15. (SBU) Poloff also visited an industrial machinery factory in Turkmenabat named "Agromash," which was established in 1973. The plant is part of the state-owned

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"Turkmenmashyngurlushyk" (Turkmen Machine Building) Enterprise, which falls under the Ministry of Energy and Industry. It is one of eleven such factories operated by the machine building enterprise at different locations throughout the country. The factory has mechanical and welding sections, as well as a section for the reconstruction and testing of Russian-built YaMZ diesel engines. Greeted by the company's director, Muratjan Jumakulyiev, Poloff was immediately led to the Soviet-era plant's massive shop floor in a soaring, hangar-like structure. The better part of the shop floor was devoid of activity, although a handful of workers were operating some of the equipment. The plant remains fully equipped with Soviet-era machine tools such as metal lathes and drills. An adjacent building houses a foundry with two rows of furnaces for melting metal. Although the factory has a capacity to produce 1,800 tons of iron and steel castings per annum, and 250 tons of non-ferrous metal castings, during the visit none of the furnaces were operating.

16. (SBU) While the factory plant had once specialized in the repair of road grading equipment, it no longer performs that work and is now clearly scrambling for business for its line of products. The factory can also fabricate custom-ordered machine parts based on a client's specifications. Agromash's product line includes clay mixing machinery for use on drilling units; trailers that provide temporary housing and offices on construction sites; circulation systems for the preparation and storage of drilling solutions for oil and gas wells; rototillers; and ironwork such as ornamental fences and manhole covers. There was one massive circulation system on site ready for shipment, and at least a dozen trailers featuring various interior configurations. The factory currently does not export its production, although it does sell to foreign companies doing business in Turkmenistan. The factory's director proposed that U.S. firms could order custom machine parts and Agromash could produce them at a fraction of the U.S. cost. He also thought the company's housing/office trailers could find useful applications in Afghanistan,

17. (SBU) COMMENT: The Buyan licorice complex clearly has a longstanding market niche dating back to the early 20th century. Even though the complex lost its regional role following the break-up of the Soviet Union, its continued exclusive access to its basic input, licorice root, and well-developed export demand have provided it with continuity and favorable prospects. Agromash, on the other hand, had to find new lines of business in the post-Soviet Turkmen economy and lacks the wherewithal to develop export markets. While the factory did not look busy, it has managed to maintain its equipment intact, thanks to state support, and could present an opportunity for a foreign partner looking for a low-cost supplier for machine parts. END COMMENT  
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